

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D.C.



REPLY TO  
ATTN OF

USAF Auditor General Branch Office, 111 E 16th Street,  
New York 3, New York

SUBJECT:

19 June 1963

TO: Fairchild Camera and Instrument Corp  
ATTN: [REDACTED] Assistant Comptroller  
300 Robbins Lane  
Syosset, LI, NY

STATINTL

Gentlemen:

1. We have reviewed your letter dated 13 June 1963 in which you explained the reasons why you prefer semiannual overhead rates.
2. This office performs audits at more than 300 contractor locations. Yours is the only one which requests six month overhead rates for historical purposes.
3. From the Government's standpoint, a single submission will permit a more accurate overhead calculation because it is frequently difficult to apply year-end adjustments equitably between the first and second halves of the year. In addition, a single submission reduces the amount of time on your overhead audit and, therefore, will expedite the settlement of 1962 overhead. The semiannual submissions do not afford the Government more current appraisals of actual overhead with quoted rates, as you implied.
4. Your letter of 13 June 1963 states "our current procedure of submitting at the end of June and the end of December requires only one audit of the two submissions..." Your current procedure does not provide for current submission at the end of June and of December, but at one time for the six months ending 30 June and for the six months ending 31 December. We cannot understand from your actual practice, how you can draw the conclusion that this will permit you to up-date your provisional rates to close out contracts more expeditiously than if you had one historical overhead rate for the year. On the contrary, we believe that a single submission for each calendar year will develop more equitable rates and result in settlement of these rates more expeditiously than if two submissions were made. We are sure that you recognize that the two submissions have to be added together to tie into your books and that each adjusting entry must be weighed as to period to which it applies when two submissions are made within a single year.
5. In view of the foregoing and after coordination with Mr. F. Spano, Air Force ACO, and Hq Eastern District, USAF Auditor General, you are requested to make a single overhead submission for historical overhead rates commencing with calendar year 1962.

Sincerely,

W. S. GRAYSON  
Chief